ANTHEM
PROPERTIES

ANNUAL REPORT 2002

REPORT TO SHAREHOLDERS

Since going public in 1998 Anthem Properties Corp. has gone through good times and tough times.

History

At the time of going public the Company's strategy was to be a growth oriented real estate investment vehicle focused predominantly on the acquisition and asset management of existing revenue properties in multiple asset classes in multiple markets. Anthem aggressively pursued this strategy and successfully deployed the funds from its initial public offering in alignment with that strategy. Share capital appreciation was expected to come from a) accretive growth through successive new issues, the proceeds of which would be invested in new properties and b) organic growth in the income of the underlying properties. Several challenges then emerged:

First, capital markets abandoned real estate in general, and growth oriented small cap real estate companies in particular, thereby eliminating the company's ability to grow accretively. Anthem dealt with this condition by liquidating some of its better performing assets, to create cash, which was then used to buy back a considerable number of its originally issued shares, which were trading below net asset value.

Second, while the share buyback was an effective strategy for providing liquidity to departing shareholders and increasing the net asset value for the remaining shareholders, the disposition of the better assets to do so, left the company with a higher percentage of the lesser performing assets. In particular, the shopping centre portfolio experienced challenges stemming from the dynamic changes occurring in the retail sector as a whole. This put downward pressure on the income from those assets which the company continues to meet with bold action and reinvestment of capital to both create and retain a proper mix of its tenants.

Third, with a shrinking capital base, caused by the share buy-back strategy, Anthem was left with the challenge of finding a way to grow anyway. Accordingly the growth strategy shifted to one of development using existing capital (realized through leverage and some disposition of its remaining revenue properties), retaining joint venture partners, and finally the re-orientation and remixing of the human resources from within and outside of the company.

By the end of 2002, the Anthem team's focus was split between managing its revenue property portfolio on the one hand, and creating new development projects on the new business front on the other. The development effort came from a mix of internal Anthem people and members of several co-venture partners. The results of this redeployment of capital and people were not unimpressive for a company of Anthem's size.

The Year 2002

Over the year, Anthem:

- Acquired three acres of a development site in Langley, BC for construction of the 83,000 square foot Central Langley Centre, a food anchored shopping centre.
- Acquired a 10 acre development site in Calgary, AB for construction of the 128,000 square foot Sunridge Power Centre.
- Acquired Westbank Towne Centre, a 115,000 square foot food anchored shopping centre in Westbank, BC. This property was subsequently transferred to a limited partnership for which an Anthem affiliate acts as general partner.
- Began construction on the redevelopment of Delta Shoppers Mall in Delta, BC. The project involves the demolition of much of the 1980's style original enclosed mall and the creation of new, open, free-standing pad buildings. As part of the redevelopment plan, Anthem sold a portion of the property to a national foodstore operator, for the construction of a new adjoining 150,000 square foot foodstore.
- Began construction on the redevelopment of the Company's food anchored shopping centre in Prince George, BC. This redevelopment will provide for the reconfiguration of the property into a more modern and functional centre, the addition of approximately 4,000 square feet of rentable area and an expansion of the property's largest tenant.

- Continued with subdivision and servicing approvals for the Company's 86 acre Burnaby Business Park joint venture industrial development in Burnaby, BC. Tentative approval for the nine lot first phase of the site has been granted by the City of Burnaby.
- Continued with subdivision and servicing approvals and marketing of industrial building lots on the Company's 5600 Riverbend Drive site in Burnaby, BC. Two of the lots are now under contract.
- Entered into a contract to sell the recently developed and completed Langley Power Centre for $42.6 million (which subsequently closed in the first quarter of 2003).
- Purchased and cancelled 478,036 common shares at an average price of $8.25 per share under a substantial issuer bid completed in January 2002, a further 29,600 common shares at an average price of $8.53 per share under a normal course issuer bid that ended in March 2002, and an additional 149,000 common shares at an average price of $9.65 per share under a normal course issuer bid that commenced on April 4, 2002.

Strategic Shift for 2003

As Anthem finished 2002 a new idea emerged. While we were achieving good results in our value add strategy, the day to day interaction of people was cumbersome. Several of the key members of the team were entrepreneurs or high level employees from co-venture partners. The broad mix of organizational cultures and different standards of accountability certainly were not creating a great organization. Accordingly Anthem began the process of reinventing how its people would work together going forward. Key outcomes from this process have led to an overall buy-in on a shared vision, mission and values by both the internal Anthem team as well as the disparate co-venture partners who will, in 2003, join the Anthem team and work in alignment with the common vision.

An essential component of this alignment is the creation of a mechanism by which existing and future key value add members of the team can retain a sense of ownership and bottom-line participation in the success of the Anthem Properties business plan. This mechanism will be provided through a new subsidiary of Anthem Properties, mostly funded by Anthem Properties and controlled by Anthem Properties, through which we will conduct all of our real estate activity going forward. Key people in the group will be entitled to buy shares in this underlying entity to achieve the level of ownership that we want them to feel. It is my opinion that by creating this new vehicle, we will create and maintain a high level of productivity which will create a bigger bottom line for all.

In order to hammer this objective going forward, and to clearly show the real estate world in which we operate that there is an exciting new Anthem, we will be moving the real estate part of our name to that new entity. We will likewise be renaming the parent company to something a little less real estate specific. This changing in names will reflect our shift from being an operating company to a creator and majority owner of an underlying great new Anthem real estate operating company. Accordingly, effective July 1, 2003, the company will be renamed Anthem Works Ltd. and its real estate business will be conducted through its new subsidiary which will carry the name Anthem Properties Group Ltd. and will brand itself merely as Anthem Properties.

Anthem Works, as the company will then be called, will have its capital allocated to three pools. The first pool will be comprised of the investment in the newly created real estate subsidiary. Growth of this pool will come from the subsidiary's future developments. The second pool is comprised of the current investment in the existing real estate portfolio, which will be managed by the newly created operating subsidiary. Growth in this pool will be limited as future growth will occur in the subsidiary. Its objective will be to provide steady income to the Company. The third pool will be comprised of the Company's retained earnings which will invest in emerging business opportunities as they arise.

Look forward to continued updates on the exciting evolution of our energetic group.

Cheers,

Eric Carlson
President and CEO
Anthem Properties Corp.

ANTHEM PROPERTIES CORP.
YEAR END RESULTS – DECEMBER 31, 2002

Management's Discussion and Analysis of Operations and Financial Condition

The following should be read in conjunction with the consolidated financial statements and the notes attached thereto.

OVERVIEW

Anthem Properties Corp. ("Anthem" or the "Company") is a TSX listed real estate operating company with core businesses in Canadian retail, multi-family and industrial property investment, development and management. The Company also holds a portfolio of North American office properties, US multi-family properties and US land development projects. Currently, Anthem owns or co-owns, and is developing or managing, on a combined basis, 1.6 million square feet of retail space, over 100 acres of industrial land, 1.0 million square feet of office space, and 1,900 multi-family residential units.

As at December 31, 2002, the Company owned 22 properties with a total net book value of $208 million. In addition, the Company held economic or management interests in a further 12 projects, entitling the Company to participate in the cash flows of the projects by way of management fees, disposition fees and equity sharing.

Owned Assets

	2002			2001		
Asset Class	# of Projects	Net Book Value (000's)	Square Feet	# of Projects	Net Book Value (000's)	Square Feet
Retail	14	$ 137,623	1,432,000	11	$ 121,721	1,208,000
Office	6	68,764	689,000	8	75,478	791,000
Other	2	1,239	n/a	2	3,280	n/a
Total	**22**	**$ 207,626**	**2,121,000**	**21**	**$ 200,479**	**1,999,000**

Economic or management interests

	2002			2001		
Asset Class	# of Projects	Square Feet	# of Units	# of Projects	Square Feet	# of Units
Retail	1	189,000	n/a	1	186,000	n/a
Office	2	237,000	n/a	3	329,000	n/a
Multi-family	7	1,615,000	1,926	8	1,752,000	2,096
Other	2	-	n/a	2	-	n/a
Total	**12**	**2,041,000**	**1,926**	**14**	**2,267,000**	**2,096**

RESULTS OF OPERATIONS

For the year ended December 31, 2002, funds from operations increased to $7.7 million from $6.9 million in 2001. The $0.8 million increase was primarily the result of an increase in funds from rental operations and a reduction in interest costs on the Company's corporate debt, partially offset by lower partnership carried interest income in 2002. Funds from operations per share increased to $2.36 basic and $2.34 fully diluted from $1.81 basic and fully diluted in 2001. The $0.55 increase in basic funds from operations per share was due to the Company's share buyback program, implemented through 2001 and 2002.

Net earnings for the period ended December 31, 2002 was $4.9 million or $1.50 per share basic and $1.49 per share fully diluted, compared to $2.6 million or $0.68 per share basic and fully diluted in 2001. The increase in net earnings and net earnings per share over 2001 was primarily the result of the Company recording a provision of $2.7 million after-tax in 2001, for the diminution in value of certain revenue-producing properties.

Retail portfolio

Anthem's retail portfolio consists of ten food anchored shopping centres, a downtown retail and office project, a retail power centre, and two development projects, all located in BC and Alberta. During 2002 the Company negotiated new retail leases totaling 81,273 square feet (2001: 20,168 square feet) and renewals of 99,144 square feet (2001: 55,053 square feet). The average occupancy level of the portfolio was 91% at December 31, 2002, down slightly from 92% at December 31, 2001.

Retail rental revenue increased to $19.0 million in 2002 from $14.0 million in 2001, while net operating income increased to $13.1 million in 2002 from $9.3 million in 2001. These increases were mainly due to the completion of a 228,000 square foot retail power centre development in Langley, BC. This project, together with a completed redevelopment project in Gibsons, BC, were reclassified from properties under development to revenue-producing properties on January 1, 2002.

During the year, the Company sold a portion of one of its food anchored shopping centres in Delta, BC for a net gain of $3.5 million; it purchased a food anchored shopping centre in Westbank, BC for $9.4 million; it purchased a 10 acre development site in Calgary, AB for $4.7 million and purchased several adjoining development sites totaling three acres for a total of $2.1 million in Langley, BC. In addition, Anthem commenced redevelopment projects on its food anchored shopping centres in Delta, BC and in Prince George, BC.

In 2003 the Company plans to commence construction on a 128,000 square foot retail power centre on its development site in Calgary, AB. As well, Anthem plans to commence development on an 83,000 square foot food anchored shopping centre on its three acre site in Langley, BC.

Office portfolio

As at December 31, 2002 Anthem's office portfolio consisted of five small to medium sized office buildings in Canada and one in the US. During the year the Company negotiated new leases totaling 44,000 square feet and lease renewals totaling 56,000 square feet. The overall occupancy level of the portfolio was 90%, unchanged from 2001.

Office rental revenue decreased to $12.7 million in 2002 from $16.4 million in 2001, and net operating income decreased to $7.8 million in 2002 from $8.7 million in 2001. These decreases were mainly due to the sale of office properties during 2001 and 2002 (the Company sold six office properties in 2001 and two in 2002). The Company recorded a gain of $0.4 million on the two office properties sold during 2002.

Fees and other income

Fees and other income consist mainly of activities associated with the economic or management interests the Company holds in 12 syndicated projects (2001: 14 projects), plus corporate interest and other income. Fees and other income decreased to $2.5 million in 2002 from $5.0 million in 2001, largely the result of lower partnership carried interest income earned in 2002 as compared to 2001.

Interest expense

Interest expense was $11.5 million in 2002, a decrease of $0.7 million from 2001. This decrease is attributable to the repayment of corporate debt in 2001, partially offset by an increase in the average interest rate on outstanding debt in 2002. The Company's weighted average interest rate on real estate asset debt increased from 6.14% in 2001 to 6.55% in 2002 and the Company's weighted average interest rate on corporate debt increased to 11.06% in 2002 from 10.15% in 2001. For the year ended December 31, 2002, Anthem had total interest coverage of 2.01 to 1 (2001: 1.62 to 1).

General and administration

General and administration includes the costs of the Company's corporate activities. General and administration increased to $3.4 million in 2002 from $2.7 million in 2001. The increase is largely due to a shift of resources to the company's development activities.

Depreciation and amortization

Depreciation and amortization expense totaled $3.5 million in 2002, an increase of $0.2 million over 2001. This increase is mainly attributable to increases in capital improvement and tenant inducement costs, which are amortized over the term of the applicable lease.

FINANCIAL CONDITION

Assets

Total assets increased from $221.4 million at December 31, 2001 to $231.6 million at December 31, 2002, as detailed in the table below.

	2002	**2001**
	(millions)	(millions)
Revenue-producing properties	$ 197.2	$ 162.3
Properties under development	10.5	38.2
Cash and cash equivalents	3.3	4.6
Amounts and loans receivable	10.2	7.5
Other assets	4.5	4.0
Future income taxes	5.9	4.8
	$ 231.6	**$ 221.4**

Revenue-producing properties

Revenue-producing properties increased to $197.2 million at December 31, 2002 from $162.3 million at December 31, 2001. This increase was due to the reclassification of two properties under development to revenue-producing properties at January 1, 2002. The increase was partially offset by the disposition of two revenue-producing properties and a portion of a third revenue-producing property during the year for a total of $18.6 million. The net book value of the properties sold was $14.3 million. Capital expenditures and leasing costs totaled $8.4 million in 2002, compared to $4.3 million in 2001.

Properties under development

Properties under development decreased from $38.2 million at December 31, 2001 to $10.5 million at December 31, 2002. The decrease is due to the reclassification of two properties under development to revenue-producing properties for $35.0 million and acquisitions of several development sites during the year.

Amounts and loans receivable

Amounts and loans receivable consist of interest bearing loans and non-interest bearing receivables due from limited partnerships where a subsidiary of Anthem is the general partner, interest bearing loans to joint venture partners and receivables from tenants that arise from the normal course of operations. The increase in total receivables is due to additional loans to limited partnerships and joint venture partners during the year. Amounts receivable also included $2.8 million in proceeds, received in January 2003, from the sale of a property in December 2002.

Future income taxes

Future income tax assets of $5.9 million at December 31, 2002 consist mainly of the tax impact of non-capital loss carry forwards from Anthem's Canadian operations.

Future income tax liabilities of $8.5 million at December 31, 2002 consist of the tax impact of the difference between accounting depreciation of the Company's revenue-producing properties as compared to the tax deductibility of a property's capital cost. The $3.7 million increase over 2001 is due to two factors, a general decrease in the property's capital cost and the impact of property sales during the year.

CAPITAL STRUCTURE

The table below summarizes Anthem's capital structure.

	2002	**2001**
	(millions)	(millions)
Mortgages payable – revenue-producing properties	$ 135.1	$ 110.6
Construction financing - properties under development	5.1	27.0
Loans and debentures payable	16.8	9.2
Total debt	157.0	146.8
Shareholders' equity	60.5	61.7
	$217.5	**$208.5**

Debt on real estate assets

Mortgages payable on revenue-producing properties increased by $24.5 million in 2002 from $110.6 million to $135.1 million. Mortgages payable increased largely as a result of the refinancing of a $29.0 million construction loan and increases to other mortgages totaling $19.1 million. These increases were partially offset by the retirement of mortgages totaling $21.4 million mainly due to three property sales and ongoing principal repayments.

Construction financing on properties under development decreased by $21.9 million during 2002, primarily due to the refinancing of a construction loan with a mortgage during the year.

The Company has $46.0 million in debt on real estate assets maturing during 2003. Anthem plans to refinance these maturities through renewals of existing loans or the negotiation of new loans. The Company's fixed rate debt represented 74% of total debt at December 31, 2002. The weighted average interest rate on the Company's real estate debt increased from 6.14% in 2001 to 6.55% in 2002.

Loans and debentures payable

Loans and debentures payable increased by $7.6 million during 2002 as a result of the addition of a new $8.0 million corporate credit facility and an increase of $0.6 million in the use of the Company's existing credit line. The increase was partially offset by repayments totaling $1.1 million on other loans and debentures during the year.

Shareholders' equity

Anthem's shareholders' equity decreased from $61.7 million at December 31, 2001 to $60.5 million at December 31, 2002. Although the Company's retained earnings increased by $4.9 million, this was more than offset by: i) the repurchase and cancellation by the Company of 656,636 of its common shares at an average price of $8.58 per share during the year; and ii) a decrease in the foreign currency translation adjustment of $0.2 million due to a weakening of the U.S. dollar in comparison to the Canadian dollar.

Liquidity and capital commitments

In the normal course of its business, Anthem has capital requirements for the principal component of mortgage payments, as well as for leasing costs and capital expenditures. Anthem funds these requirements with funds from operations, although in some cases capital expenditures and leasing costs are funded by the underlying mortgage. Leasing costs and capital expenditures totaled $8.4 million in 2002 compared to $4.3 million in 2001. These increases were mainly due to the capital expenditures on a development project that was reclassified as revenue-producing property during the year.

For the year ended December 31, 2002, funds from operations was $7.7 million. Management believes that funds from operations will be sufficient to fund operational requirements during 2003.

RISK MANAGEMENT

Anthem faces a number of operating risks in the normal course of its business. These risks, along with the Company's strategies to reduce their potential impact, are summarized below.

Real estate industry

Anthem faces risks typical of the real estate industry as a whole. Factors such as national and local economic conditions, competition from other property owners, changes in consumer spending and general employment have an impact on the supply and demand for retail, office and industrial properties by tenants. Also, the Company's portfolio is subject to more specific risks such as the ability to lease vacant space, lease renewals, tenant failures, the ability to secure favorable net rents, and the reliance on anchor tenants. Anthem manages these risks through:

- Due diligence – a comprehensive acquisition due diligence process prior to acquiring properties and a formalized lease review process prior to accepting new tenancies;
- Geographic and asset class diversification – Anthem's portfolio is located in several geographically diverse, growth markets including British Columbia, Alberta, Ontario and Texas; it is further diversified across three main asset classes, namely retail, office, and industrial land;
- Lease maturity management – management of lease maturities such that no single year would be significantly affected by unusually large vacancies; and
- Anchor tenant management – ownership of well-located properties, advance planning for replacing anchor tenants where there is an increased risk of loss, and proactive management of anchor tenant requirements.

Leverage and interest rates

The capital intensive nature of the real estate industry is such that Anthem is subject to risks related to leverage and interest rates. The Company mitigates these risks by staggering loan maturity dates and by establishing long-term guidelines for both interest coverage (minimum 1.5 times) and the ratio of mortgage and other related debt to equity (maximum 3:1).

Foreign exchange

Anthem maintains its accounts in Canadian dollars. A minor portion of the Company's business is carried on in the United States; therefore Anthem is subject to foreign exchange risk. Anthem mitigates this risk by ensuring that U.S. based assets are financed by U.S. dollar denominated debt. This limits this risk to the net equity in U.S. properties. During 2002, the Company's foreign exchange risk was reduced due to the disposal of a U.S. based assets with a net book value of $5.1 million.

OUTLOOK

At the end of 2002, the Company's focus was split between managing its revenue property portfolio on the one hand, and creating new development projects on the new business front on the other.

Looking forward at 2003, the Company will seek to create a mechanism by which existing and future key value add members of the team can retain a sense of ownership and bottom-line participation in the success of the real estate business plan. This mechanism will be provided through a new subsidiary, mostly funded and controlled by Anthem, through which the Company will conduct all of its real estate activity going forward.

FINANCIAL STATEMENTS

RESPONSIBILITY OF MANAGEMENT

The Annual Report, including the Consolidated Financial Statements, is the responsibility of management of the Corporation. Management's Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles as prescribed by The Canadian Institute of Chartered Accountants, and conform substantially with the recommendations of the Canadian Institute of Public Real Estate Companies in all material respects. Financial information contained elsewhere in the Report is consistent with the information contained in the financial statements.

Management maintains a system of internal controls, which provides reasonable assurance that the assets of the Corporation, its subsidiaries and joint ventures are safeguarded. These controls also facilitate the preparation of relevant, timely and reliable financial information that reflects, where necessary, management's best estimates and judgments based on informed knowledge of the facts.

The Corporation's external auditors, KPMG LLP, have performed an independent audit of the Consolidated Financial Statements.

The audit committee of the board of directors of the Corporation has reviewed the Consolidated Financial Statements with management and the external auditors, KPMG LLP, and recommended their approval by the board of directors. The auditors have full access to the audit committee, with and without management being present.

Eric H. Carlson
President and
Chief Executive Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Anthem Properties Corp. as at December 31, 2002 and 2001 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

KPMG LLP

Chartered Accountants

Vancouver, Canada
February 14, 2003, except as to note 17,
which is as of March 31, 2003

ANTHEM PROPERTIES CORP.
Consolidated Balance Sheets

December 31, 2002 and 2001

	2002	2001
Assets		
Properties:		
Revenue-producing (note 3)	$ 197,147,692	$ 162,325,224
Properties under development (note 4)	10,478,621	38,153,526
	207,626,313	200,478,750
Cash and cash equivalents	3,326,217	4,601,247
Amounts and loans receivable (note 5)	10,188,262	7,450,404
Other assets (note 6)	4,530,197	4,058,161
Future income taxes (note 11)	5,903,457	4,804,966
	$ 231,574,446	$ 221,393,528
Liabilities and Shareholders' Equity		
Debt on real estate assets (note 7)	$ 140,173,600	$ 137,612,028
Amounts payable	5,533,068	8,067,693
Loans and debentures payable (note 8)	16,793,251	9,220,721
Future income taxes (note 11)	8,546,545	4,837,767
	171,046,464	159,738,209
Shareholders' equity (note 9)	60,527,982	61,655,319
	$ 231,574,446	$ 221,393,528

Commitments (note 13)
Subsequent events (note 7 and 17)

See accompanying notes to consolidated financial statements.

Approved on the behalf of the Board:

Director Director

ANTHEM PROPERTIES CORP.

Consolidated Statements of Operations and Retained Earnings

Years ended December 31, 2002 and 2001

	2002	2001
Rental revenue and cost recoveries	$ 31,918,018	$ 32,655,768
Rental expenses:		
Property operating costs and taxes	11,039,903	13,656,557
Interest	9,810,576	9,872,793
Depreciation	3,451,524	3,222,044
	24,302,003	26,751,394
Rental income	7,616,015	5,904,374
Real estate sales:		
Sales	3,955,271	9,619,492
Cost of sales	3,961,133	9,048,959
	(5,862)	570,533
Fees and other income (note 16):		
Property and asset management fees	1,687,001	1,704,907
Interest and other	832,242	3,327,050
	2,519,243	5,031,957
	10,129,396	11,506,864
Operating expenses:		
General and administrative	3,428,962	2,713,219
Property and asset management	1,551,774	1,964,745
Amortization	92,096	121,434
Interest (note 16)	1,717,701	2,288,039
Capital taxes	225,079	396,719
	7,015,612	7,484,156
Earnings from operations	3,113,784	4,022,708
Other income (expense):		
Gain on sale of revenue-producing properties	3,948,329	3,815,806
Diminution in value of revenue-producing properties	-	(4,500,000)
Foreign exchange gain (loss)	(23,466)	886,626
Earnings before income taxes	7,038,647	4,225,140
Provision for income taxes (note 11)	2,136,702	1,641,290
Net earnings	4,901,945	2,583,850
Retained earnings, beginning of year	18,869,720	16,285,870
Retained earnings, end of year	$ 23,771,665	$ 18,869,720
Earnings per share (notes 2(k) and 10):		
Basic	$ 1.50	$ 0.68
Diluted	1.49	0.68

See accompanying notes to consolidated financial statements.

ANTHEM PROPERTIES CORP.

Consolidated Statements of Cash Flows

Years ended December 31, 2002 and 2001

	2002	2001
Cash provided by (used in):		
Operations:		
Net earnings	$ 4,901,945	$ 2,583,850
Adjustments for:		
Depreciation and amortization	3,543,620	3,343,478
Amortization of deferred financing costs	556,419	574,911
Gain on sale of revenue-producing properties net of tax of nil (2001 - $1,324,817)	(3,948,329)	(2,490,989)
Diminution in value of revenue-producing properties	-	4,500,000
Foreign exchange loss (gain)	23,466	(886,626)
Future income taxes (recovery)	2,624,638	(704,916)
Funds from operations	7,701,759	6,919,708
Recovery of costs through real estate sales	3,961,133	9,048,959
Acquisitions and development of properties for sale	(1,880,894)	(7,371,011)
Additions to deferred financing costs	(862,056)	(705,357)
Additions to deferred charges	(239,263)	(984,795)
Changes in non-cash operating working capital (note 14)	(2,745,336)	(7,011,760)
	5,935,343	(104,256)
Investments:		
Additions to revenue-producing properties	(13,006,781)	(4,093,191)
Proceeds from sale of revenue-producing properties, net of costs	14,928,994	26,889,575
Additions to revenue-producing property under development	(9,025,208)	(33,260,812)
Additions to deferred development costs	-	(214,144)
Advances from loans receivable	(872,407)	(1,833,482)
Repayment of loans receivable	543,621	500,000
Capital asset expenditures	(45,896)	(49,790)
Increase (decrease) in accounts payable for revenue-producing properties under development	(2,541,646)	2,678,966
Foreign exchange gain	-	765,661
	(10,019,323)	(8,617,217)
Financing:		
Proceeds from debt on real estate assets	44,222,467	41,433,739
Repayment of debt on real estate assets	(42,967,515)	(20,740,737)
Redemption of common shares	(5,831,110)	(250,393)
Proceeds from loans payable	8,660,000	-
Repayment of loans payable	(1,087,470)	(13,484,559)
Decrease (increase) in funds held in escrow	(187,422)	456,869
	2,808,950	7,414,919
Decrease in cash and cash equivalents	(1,275,030)	(1,306,554)
Cash and cash equivalents, beginning of year	4,601,247	5,907,801
Cash and cash equivalents, end of year	$ 3,326,217	$ 4,601,247
Funds from operations, per share:		
Basic	$ 2.36	$ 1.81
Diluted	2.34	1.81

Supplementary information (note 14)

See accompanying notes to consolidated financial statements.

1. Business combination and basis of presentation:

Anthem Properties Corp. (the "Company") was incorporated on July 18, 1997 and is engaged in the ownership, development, and management of commercial and residential real estate properties.

2. Significant accounting policies:

(a) General:

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and also comply, in all material respects, with the recommendations of the Canadian Institute of Public and Private Real Estate Companies.

(b) Principles of consolidation:

The consolidated financial statements include:

(i) the accounts of the Company and its subsidiaries; and

(ii) the accounts of joint ventures to the extent of the Company's proportionate interest in each of the joint ventures' respective assets, liabilities, revenue and expenses.

All significant intercompany balances and transactions have been eliminated.

(c) Properties:

(i) Revenue-producing properties:

Revenue-producing properties are stated at the lower of cost, net of accumulated depreciation, and net recoverable amount. Net recoverable amount is calculated using the estimated non-discounted future cash flows of the properties and may differ from the net realizable values of the properties.

Depreciation on buildings is determined using the sinking-fund method whereby an increasing amount of depreciation, consisting of a fixed amount together with interest compounded at a rate of 5% per annum, is charged to income so as to fully amortize the buildings over their estimated useful lives of 40 years. Building improvements are amortized on a straight-line basis over their estimated useful lives ranging from 5 - 20 years.

Tenant inducements are amortized on a straight-line basis over the terms related to the leases.

(ii) Properties under development:

Properties under development are recorded at the lower of cost and estimated net realizable value. Cost includes all expenditures incurred in connection with the acquisition, development and construction of these properties.

2. Significant accounting policies (continued):

(d) Capitalization of costs:

The Company capitalizes all direct costs relating to the acquisition of properties. For revenue-producing properties under development, leasing costs, operating costs, certain indirect costs and property taxes net of any related revenue are capitalized until attaining the earlier of a break-even point in cash flow after debt servicing or the expiration of a reasonable period of time following substantial completion, subject to the time limitation determined at the approval of the project.

(e) Cash and cash equivalents:

Cash and cash equivalents consists of cash in hand, cash held at banks and term deposits maturing within ninety days when acquired.

(f) Investments:

Investments where the Company exercises significant influence are accounted for using the equity method.

Other investments are recorded at cost, less a provision for permanent impairment in value, if necessary.

(g) Deferred costs:

Recoverable capital expenditures are amortized on a straight-line basis over the expected period of recovery.

Deferred financing costs are amortized on a straight-line basis over the terms of the related debt. Amortization of $556,419 (2001 - $574,911) is classified in interest expense.

Deferred property interests relate to the cost of acquiring disposition fee interests in properties from third parties. Deferred property interests are amortized to income in proportion to the recognition of income to which the interests relate.

Deferred development costs relate to the acquisition, development, re-development, financing and marketing of potential revenue-producing properties.

(h) Foreign currency translation:

Foreign operations are all of a self-sustaining nature. Assets and liabilities of foreign operations are translated at the exchange rates in effect at the balance sheet date and revenue and expenses are translated at average exchange rates for the year. Related foreign currency translation adjustments are recorded as a separate component of shareholders' equity until realized.

2. Significant accounting policies (continued):

(i) Measurement uncertainty:

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with Canadian generally accepted accounting principles. Actual results could differ from these estimates.

The significant areas requiring management estimates include useful lives for depreciation and amortization and the impairment of revenue-producing properties. In determining estimates of net recoverable amounts and net realizable values for its revenue-producing properties and properties under development, the Company relies on assumptions regarding applicable industry performance as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. Should these assumptions change, the estimated net recoverable amounts and net realizable values would change accordingly.

(j) Revenue recognition:

The Company has retained substantially all of the risks and benefits of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases. Rental revenue includes percentage participating rents and recoveries of operating expenses.

Income from the sale of properties under development is recorded when the collection of the sale proceeds is reasonably assured and all other significant conditions are met.

Property management fees and asset management fees are recorded monthly as earned.

Disposition fees are recognized on the closing date of sales.

(k) Per share information:

Basic per share amounts have been calculated by dividing net earnings attributable to common shareholders by the weighted average number of shares outstanding.

The Company follows the treasury stock method for determining the dilutive effect of options issued. Under the treasury stock method, the cash to be received from the exercise of outstanding dilutive options is deemed to be applied to the repurchase of common shares at the average market price for the period.The basic and diluted weighted average numbers of shares outstanding are set out in note 10.

Funds from operations per share amounts presented in the consolidated statements of cash flows are calculated as funds from operations divided by the weighted average number of shares outstanding.

2. Significant accounting policies (continued):

(l) Stock-based compensation:

Effective January 1, 2002, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for stock-based compensation and other stock-based payments. Such recommendations require that stock-based compensation issued by the Company on or after January 1, 2002 be measured at fair value. All stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments are required to be recognized by a charge against earnings. The Company has no outstanding awards with these features at January 1, 2002. Other stock-based payments to employees can be recognized in the measurement of earnings or an entity can elect to apply an alternative method.

The Company has elected to continue to account for employee stock options grants by the settlement method under which no compensation expense is recorded on grant. Any consideration paid on exercise of options is credited to share capital. The Company's share option plans are described in note 9(c).

(m) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment, or substantive enactment, date.

(n) Comparative figures:

Certain comparative figures for 2001 have been reclassified to conform with the presentation adopted in the current year.

3. Revenue-producing properties:

2002	Cost	Accumulated depreciation	Net book value
Land	$ 50,314,441	$ -	$ 50,314,441
Buildings and improvements	145,367,218	5,763,123	139,604,095
Tenant inducements	9,877,340	2,648,184	7,229,156
	$ 205,558,999	$ 8,411,307	$ 197,147,692

2001	Cost	Accumulated depreciation	Net book value
Land	$ 44,098,904	$ -	$ 44,098,904
Buildings and improvements	119,634,387	4,488,377	115,146,010
Tenant inducements	5,337,450	2,257,140	3,080,310
	$ 169,070,741	$ 6,745,517	$ 162,325,224

4. Properties under development:

	2002	2001
Revenue-producing properties under development	$ 9,239,351	$ 34,873,217
Properties held for sale	1,239,270	3,280,309
	$ 10,478,621	$ 38,153,526

Costs capitalized to properties under development during the year were as follows:

	2002	2001
Interest	$ 88,813	$ 2,068,752
Administrative	104,965	305,738
Property taxes	24,044	213,709
Net rental income	(4,452)	(513,534)
	$ 213,370	$ 2,074,665

Properties under development held for sale at December 31, 2002 includes a 50% ownership interest in 1 lot (2001 - 11 lots) costing $111,418 (2001 - $628,476) which was purchased from a partnership for which a subsidiary of the Company acts as the general partner.

In 2002, the Company completed development of 2 (2001 - nil) properties with an aggregate cost of $34,873,217 (2001 - nil) and transferred them to revenue-producing properties.

5. Amounts and loans receivable:

	2002	2001
Amounts receivable	$ 6,917,550	$ 4,394,902
Loans receivable	3,270,712	3,055,502
	$ 10,188,262	$ 7,450,404

Amounts and loans receivable at December 31, 2002 are due on demand and include $554,699 (2001 - $1,070,975) due from partnerships for which the Company acts as the general partner and $905,522 (2001 - $732,899) due from companies related by virtue of directors in common.

6. Other assets:

	2002	2001
Prepaid expenses	$ 1,241,854	$ 1,078,679
Recoverable capital expenditures	1,304,204	1,064,940
Deferred financing costs	1,077,446	763,397
Funds held in escrow	394,966	379,074
Capital assets less accumulated amortization of $472,507 (2001 - $502,288)	229,030	275,230
Deferred property interests	226,149	226,149
Deferred development costs	-	214,144
Investment	56,548	56,548
	$ 4,530,197	$ 4,058,161

The investment relates to a 100% ownership in various general partners which entitle such general partners to a 20% to 30% carried interest in the profits of the partnership, subject to a 12% to 20% preferred return to the limited partners.

7. Debt on real estate assets:

Debt By Category:

	2002	2001
Mortgages payable on revenue-producing properties	$ 135,079,371	$ 110,567,228
Construction financing on properties under development	5,094,229	27,044,800
	$ 140,173,600	$ 137,612,028

Debt By Interest Obligation:

	2002	2001
Fixed rate at a weighted average year end interest rate of 7.02% (2001 - 6.37%)	$ 104,173,740	$ 116,762,028
Floating rate at a weighted average year end interest rate of 5.20% (2001 - 4.85%)	35,999,860	20,850,000
	$ 140,173,600	$ 137,612,028

All mortgages payable are secured by the revenue-producing properties.

Mortgages payable at December 31, 2002 include mortgages in the amount of $4,556,976 (2001 - $9,685,774) which are denominated in United States dollars of US$2,896,076 (2001 - US$6,081,355).

Construction financing includes several construction loans bearing interest variable with the US prime lending rate and are secured by the Company's residential properties under development. The construction loans include the amount of $33,817 (2001 - $1,866,043) which are denominated in United States dollars of US$21,492 (2001 - US$1,171,623).

Subsequent to year end, the Company re-financed two mortgages payable totaling $15,926,761 for an aggregate amount of $16,523,158.

After giving effect to the re-financings, scheduled minimum principal repayments of debt on real estate assets in each of the next five years ending December 31 and in aggregate thereafter are as follows:

2003	$ 46,079,425
2004	23,514,467
2005	3,435,865
2006	8,378,784
2007	43,303,837
Thereafter	16,057,619
	$ 140,769,997

8. Loans and debentures payable:

	2002	2001
Loans payable	$ 11,464,000	$ 3,686,470
Debentures payable	5,329,251	5,534,251
	$ 16,793,251	$ 9,220,721

The loans payable include:

(a) Loans of $2,804,000 (2001 - $2,804,000), which bear interest at 9.5% to 11.5% (2001 - 9.5% to 11.5%) per annum, due to a company related by virtue of directors in common. The loans have terms of three to five years with principal repayments commencing on December 31, 2004.

(b) A non-revolving bank loan of $8,000,000 (2001 - nil) which is secured by a general security agreement, certain properties and an assignment of the sales proceeds of certain revenue-producing properties. The loan bears interest at 12% per annum and is due October 25, 2003. The loan was fully repaid subsequent to December 31, 2002 (note 17).

(c) A demand operating line of $660,000 (2001 - nil) which bears interest at prime plus 0.5%.

(d) At December 31, 2001 882,470 series 1 preferred shares in the amount of $882,474, which entitled the holders to an annual cumulative cash dividend of $0.06 per share. After October 1, 2002, the holders were entitled to require the Company to pay the full redemption price being $1 per share, together with all accrued and unpaid dividends whether or not declared. The preferred shares were fully redeemed in 2002.

The debentures payable, which are unsecured and subordinated to all senior indebtedness of the Company, have terms of three to five years with principal repayments commencing on June 30, 2003. The debentures bear interest at 9% to 11% per annum and interest payments are made quarterly.

9. Shareholders' equity:

	2002	2001
Share capital	$ 24,716,521	$ 29,862,831
Contributed surplus	11,320,358	12,005,158
	36,036,879	41,867,989
Foreign currency translation adjustment	719,438	917,610
Retained earnings	23,771,665	18,869,720
	$ 60,527,982	$ 61,655,319

9. Shareholders' equity (continued):

Share capital:

(a) Authorized:

250,000,000 common shares, without par value
250,000,000 preferred shares, with a par value of $1 (note 9(b))

(b) Issued and outstanding common shares:

	Number of shares	Amount
Balance, December 31, 2000	3,848,173	$ 30,159,617
Purchased and cancelled (i)	(37,868)	(296,786)
Balance, December 31, 2001	3,810,305	29,862,831
Purchased and cancelled (ii)	(656,636)	(5,146,310)
Balance, December 31, 2002	3,153,669	$ 24,716,521

(i) In 2001, the Company purchased 37,868 common shares at an average price of $6.44 per share under two normal course issuer bids. After the consideration of transaction costs, the Company recorded $296,786 as a reduction of share capital and $46,393 as contributed surplus.

(ii) On December 24, 2001, under a substantial issuer bid, the Company announced its intention to purchase for cancellation up to 800,000 common shares at a price range of $7.25 - $8.25 per share. Subsequent to December 31, 2001, under this program, the Company purchased 478,036 common shares at an average price of $8.25.

In 2002, the Company purchased 29,600 common shares at an average price of $8.53 per share under a normal course issuer bid announced on March 27, 2001.

On April 2, 2002, under another normal course issuer bid, the Company announced its intention to purchase for cancellation up to 165,133 common shares. To December 31, 2002, the Company purchased 149,000 common shares at an average price of $9.65 per share.

After the consideration of transaction costs, the Company recorded $5,146,310 as a reduction of share capital and $684,800 as a reduction of contributed surplus.

9. Shareholders' equity (continued):

(c) Stock options:

As at December 31, 2002, the Company has a share option plan outstanding providing for the issuance of up to 900,000 options. The plan provides that options have a maximum term of eight years and are exercisable at a price not less than fair market value of the shares at the time of grant.

The following table summarizes the status of the share option plan:

	2002 share options outstanding	Weighted average price	2001 share options outstanding	Weighted average price
Outstanding, January 1	531,000	$ 9.00	581,000	$ 9.00
Forfeited	(100,000)	9.00	(50,000)	9.00
Outstanding, December 31	431,000	$ 9.00	531,000	$ 9.00
Exercisable, December 31	431,000		501,000	

The weighted average remaining life of the 431,000 options outstanding at December 31, 2002 was three years.

10. Earnings per share:

The table below sets forth the computation of basic and diluted earnings per share.

For the year ended December 31, 2002, options to purchase 431,000 common shares are dilutive and are included in computing diluted earnings per share. The Company had no dilutive options outstanding for the year ended December 31, 2001.

	2002			2001		
	Earnings (Numerator)	Weighted average shares (Denominator)	Earnings per share	Earnings (Numerator)	Weighted average shares (Denominator)	Earnings per share
Basic EPS:						
Net income attributable to common shareholders	$ 4,901,945	3,265,895	$ 1.50	$ 2,583,850	3,816,904	$ 0.68
Effect of dilutive securities:						
Share option	-	28,888	(0.01)	-	-	-
Diluted EPS	$ 4,901,945	3,294,783	$ 1.49	$ 2,583,850	3,816,904	$ 0.68

11. Income taxes:

	2002	2001
Provision for income taxes:		
Current (recovery)	$ (487,936)	$ 2,346,206
Future (recovery)	2,624,638	(704,916)
	$ 2,136,702	$ 1,641,290

The reconciliation of income taxes calculated at the statutory rate to the actual income tax provision is as follows:

	2002	2001
Income before income taxes	$ 7,038,647	$ 4,225,140
Statutory rate	39.40%	44.06%
Income tax expense at statutory rate	$ 2,773,227	$ 1,861,597
Foreign taxes more (less) than statutory rate	197,035	(46,612)
Federal large corporations tax	454,062	414,607
Permanent differences relating to non-taxable capital gain	(872,570)	(514,780)
Timing of reversal of existing temporary differences and other reconciling items	(415,052)	(73,522)
Income tax expense	$ 2,136,702	$ 1,641,290

The tax effects of temporary differences that give rise to significant portions of future income tax assets and liabilities at December 31, 2002 are presented below:

	2002	2001
Future income tax assets:		
Non-capital loss carry forwards	$ 5,009,612	$ 3,602,239
Deductible equity issue costs	-	366,623
Deferred financing costs	35,534	145,412
Other	741,471	690,692
Investments	116,840	-
Total gross future income tax assets	5,903,457	4,804,966
Future income tax liabilities:		
Revenue-producing properties	7,845,242	3,757,846
Investments	-	339,224
Other	701,303	740,697
Total gross future income tax liabilities	8,546,545	4,837,767
Net future income tax liabilities	$ (2,643,088)	$ (32,801)

12. Financial instruments:

(a) Fair value:

The Company has the following financial instruments: amounts receivable, loans receivable, amounts payable, loans payable, debentures payable, mortgages payable, construction financing, disposition fee agreements and general partner interests in various limited partnerships. The carrying values of amounts receivable, amounts payable, and construction financing approximate their fair values due to their short-term nature. Loans receivable, loans payable, debentures payable, and mortgages payable of a longer term nature are impacted by changes in market yields which can result in differences between the carrying value and the market value of such instruments. Due to the nature of the disposition fee agreements and the general partner interests in the various limited partnerships, the absence of a readily available secondary market for such financial instruments and the costs associated with obtaining an outside appraisal, the Company does not believe it is practicable to determine their fair value with sufficient reliability.

(b) Interest rate risk:

The terms of the Company's outstanding debt on real estate assets, loans and debentures repayable are described in notes 7 and 8. As certain of the Company's debt instruments bear interest at floating rates, fluctuations in these rates will impact the cost of financing incurred in the future.

(c) Credit risk:

Other than the amounts and loans receivable described in note 5, the Company does not face any material concentrations of credit risk.

13. Commitments:

(a) As at December 31, 2002 the Company had two development projects underway which have an estimated total construction cost of $9,052,000 (2001 - $6,522,000). The Company anticipates that it will be in a position to finance these projects with a combination of cash and construction debt financing.

(b) The Company has entered into an operating lease for the rental of space in an office building at $400,000 per annum, commencing May 2003, for ten years.

14. Supplementary information:

The change in non-cash operating working capital balances consists of the following:

	2002	2001
Amounts receivable	$ (2,539,956)	$ (1,539,869)
Prepaid expenses	(165,576)	(255,726)
Amounts payable	(39,804)	(5,216,165)
	$ (2,745,336)	$ (7,011,760)

14. Supplementary information (continued):

Other supplementary information:

	2002	2001
Other supplementary information:		
Interest paid	$ 11,495,053	$ 12,062,068
Taxes paid	5,613,129	7,308,147
Non-cash investing and financing activities:		
Mortgages assumed by purchaser on sale of revenue-producing properties	5,927,907	32,907,734

15. Segment disclosures:

	Canada		U.S.		Total	
	2002	2001	2002	2001	2002	2001
Assets						
Properties and other real estate investments:						
Office	$ 60,064,892	$ 61,447,590	$ 8,699,276	$ 14,029,893	$ 68,764,168	$ 75,477,483
Retail	137,622,875	121,720,958	-	-	137,622,875	121,720,958
Other	1,239,270	962,508	-	2,317,801	1,239,270	3,280,309
	$ 198,927,037	$184,131,056	$ 8,699,276	$ 16,347,694	207,626,313	200,478,750
Unallocated corporate assets					23,948,133	20,914,778
					$ 231,574,446	$ 221,393,528
Capital expenditures for segment assets:						
Office	$ 1,521,014	$ 2,313,835	$ 389,070	$ 644,207	$ 1,910,084	$ 2,958,042
Retail	25,255,853	33,758,759	-	-	25,255,853	33,758,759
Multi-family	-	-	-	107,829	-	107,829
Other	160,522	962,508	1,720,372	7,371,011	1,880,894	8,333,519
	$ 26,937,389	$ 37,035,102	$ 2,109,442	$ 8,123,047	$ 29,046,831	$ 45,158,149

15. Segmented disclosures (continued):

	Canada		U.S.		Total	
	2002	2001	2002	2001	2002	2001
Income from Operations						
A. Rental Income						
Office						
Revenue	$ 11,151,975	$ 11,296,961	$ 1,575,934	$ 5,105,135	$ 12,727,909	$ 16,402,096
Property operating costs and taxes	3,799,991	4,424,373	1,125,884	3,256,177	4,925,875	7,680,550
Interest	2,433,217	2,504,613	315,169	1,695,559	2,748,386	4,200,172
Depreciation	1,301,994	1,130,777	401,493	863,067	1,703,487	1,993,844
	3,616,773	3,237,198	(266,612)	(709,668)	3,350,161	2,527,530
Retail						
Revenue	19,190,109	14,007,777	-	-	19,190,109	14,007,777
Property operating costs and taxes	6,114,028	4,727,880	-	-	6,114,028	4,727,880
Interest	7,062,190	5,053,355	-	-	7,062,190	5,053,355
Depreciation	1,748,037	1,080,042	-	-	1,748,037	1,080,042
	4,265,854	3,146,500	-	-	4,265,854	3,146,500
Multi-family						
Revenue	-	-	-	2,244,463	-	2,244,463
Property operating costs and taxes	-	-	-	1,246,892	-	1,246,892
Interest	-	-	-	591,958	-	591,958
Depreciation	-	-	-	133,049	-	133,049
	-	-	-	272,564	-	272,564
Other						
Revenue	-	1,432	-	-	-	1,432
Property operating costs and taxes	-	1,235	-	-	-	1,235
Interest	-	27,308	-	-	-	27,308
Depreciation	-	15,109	-	-	-	15,109
	-	(42,220)	-	-	-	(42,220)
Total rental income	7,882,627	6,341,478	(266,612)	(437,104)	7,616,015	5,904,374
B. Development income, net	-	-	(5,862)	570,533	(5,862)	570,533
C. Property and asset management fees						
Revenue	635,566	772,173	1,051,435	932,734	1,687,001	1,704,907
Expenses	587,093	889,857	964,681	1,074,888	1,551,774	1,964,745
	48.473	(117,684)	86,754	(142,154)	135,227	(259,838)
D. Unallocated amounts						
Revenue					832,242	3,327,050
Expenses					(5,463,838)	(5,519,411)
					(4,631,596)	(2,192,361)
Earnings from operations					3,113,784	4,022,708
Other income					3,924,863	202,432
Earnings before income taxes					$ 7,038,647	$ 4,225,140

16. Related party transactions:

The Company had the following transactions with related parties:

	2002	2001
Fees and other income:		
Property and asset management fees:		
Earned from partnerships for which the Company acts as general partner	$ 1,063,636	$ 1,183,145
Earned from companies related by virtue of directors in common	623,365	497,614
	$ 1,687,001	$ 1,680,759
Interest and other:		
Earned from partnerships for which subsidiaries of the Company act as general partner	$ 279,094	$ 2,764,384
Earned from companies related by virtue of directors in common	188,732	153,957
	$ 467,826	$ 2,918,341
Operating expenses:		
Interest paid to companies related by virtue of directors in common	$ 315,340	$ 472,477

Amounts payable at December 31, 2002 includes $160,449 (2001 - $160,449) due to companies related by virtue of directors in common.

17. Subsequent event:

On March 31, 2003 the Company sold a revenue-producing property located in B.C. for $42.6 million. The purchaser assumed mortgage debt of $28.7 million and satisfied the remainder of the purchase price with cash. The Company used $8.0 million of its net cash proceeds, after sales commissions and other closing costs, to fully repay the non-revolving bank loan described in note 8(b).

ANTHEM
PROPERTIES

Corporate Office
Suite 300 Bentall 5 550 Burrard Street
Vancouver BC Canada V6C 2B5
Tel 604.689.3040
Fax 604.689.5642

Cyberoffice
www.anthemproperties.com
info@anthemproperties.com